

FDIC State Profile

SUMMER 2003

Wyoming

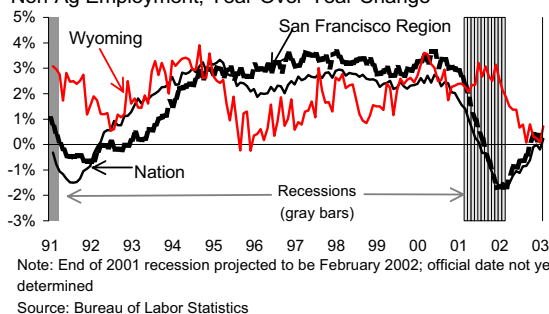
Employment in Wyoming slowed, because of sluggishness in the natural resources and mining, and manufacturing sectors.

- Non-farm payroll employment in Wyoming expanded 0.6 percent year-over-year as of January 2003 (see Chart 1). Employment gains during this period were greatest in the government, education and health services sectors. Employment conditions deteriorated in the manufacturing and mining sectors, in part because of layoffs at FMC Westvaco, Wyoming's largest soda-ash producer.
- Employment in the natural resources and mining sector decreased by six percent in the year ending January 2003, mainly because of a employment decrease within the oil and gas sub sector, and its support-related activities. Natural gas prices and active rig counts, which have a strong, positive correlation with oil and gas employment,¹ both fell during 2002, but have begun to improve in 2003.
- Mining for oil, gas, and coal represented approximately twenty percent of Wyoming's Gross State Product (GSP) during 2000. In addition, state and local government, which represents almost ten percent of the GSP, relies heavily on mineral-related taxes as a source of revenue. Although the state is not predicting a budget deficit, these exposures increase the state's vulnerability to fluctuations in commodity prices.

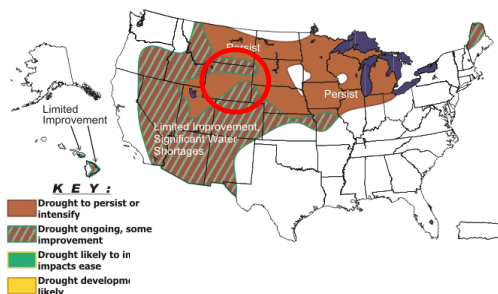
Drought conditions in Wyoming are hurting the state's agricultural producers, particularly cattle ranchers and grain farmers.

- Precipitation in Wyoming was reported to be 70 to 80 percent below average during the past three years; 2002 was the second driest year in more than one hundred years (see Map 1).
- Dry conditions have severely reduced the supply and quality of hay and grazing pastureland. Cattle producers, which generate more than 75 percent of the state's agricultural revenues, have been forced to sell portions of their foundation herds.

Chart 1: Employment Growth in Wyoming Slowed During This Last Recession
Non-Ag Employment, Year-Over-Year Change



Map 1: Dry Conditions May Persist in Wyoming, According to the NOAA Outlook



Source: National Oceanic and Atmospheric Administration; March 20, 2003.
http://www.cpc.ncep.noaa.gov/products/expert_assessment/seasonal_drought.html

- As of December 31, 2002, 48 percent of the state's 50 insured institutions reported agricultural loan-to-Tier 1 capital ratios exceeding 100 percent. Despite the stresses on the agricultural sector, these lenders reported a median overall past-due loan ratio of 1.6 percent, the lowest in over a decade. If drought conditions persist, asset quality could deteriorate.

¹ *Forecasting Oil & Gas Employment for the State of Wyoming*, Wyoming Labor Force Trends, July 2002, Wyoming Department of Employment Research & Planning, State of Wyoming.

Insured institutions headquartered in Wyoming have reported relatively stable earnings during the past several years, while asset quality has shown some signs of deterioration.

- The median return on assets (ROA) reported by all Wyoming insured institutions was 1.48 percent as of December 31, 2002. The median *pre-tax* ROA, which is more comparable when including institutions electing Subchapter S tax status,² was 1.85 percent. This ranks favorably to the national median of 1.44 percent. The median net interest margin increased 14 basis points to 4.54 percent during 2002 but was offset by lower non-interest income and slightly higher overhead expenses.
- In 2002, over half of the insured institutions headquartered in Wyoming realized securities gains, with 10 percent of all Wyoming institutions reporting gains in excess of 10 percent of pre-tax earnings. The number of institutions realizing large gains has risen sharply as declining interest rates have increased the market value of securities portfolios. Reinvestment risk may be particularly acute at Wyoming-based institutions, which reported a median yield on earning assets of 6.53 percent for 2002, compared to the national median of 6.61 percent. The reinvestment of the funds received from these sales at lower yields may result in future net interest margin compression if interest rates rise. Furthermore, during periods of rising rates (1994 and 2000), Wyoming institutions reported median unrealized *losses* on securities portfolios of about fifteen percent and four percent, respectively, of Tier 1 capital (see Chart 2).
- Asset quality among insured institutions headquartered in Wyoming has shown some signs of improvement. Past-due loan levels were 1.6 percent as of year-end 2002, which compared favorably to the national median past-due loan ratio of 1.9 percent.

Growing commercial real estate (CRE) loan concentrations among insured institutions in Wyoming are a potential concern, particularly for banks that have not experienced a full real estate cycle.

- Since the early 1990s, the median commercial real estate loan³-to-Tier 1 capital ratio among Wyoming's insured institutions has more than

² Twenty-four of Wyoming's 50 insured institutions elected Subchapter S status as of September 30, 2002. Banks with a Subchapter S tax election do not pay taxes at the corporate level. As a result, after-tax ROA ratios among these institutions tend to be higher than for other insured institutions.

³ Commercial real estate loans include mortgages secured by nonfarm-nonresidential, multifamily, and construction projects.

Chart 2: Unrealized Gains Evaporated In 1994 and late 1999 When Interest Rates Increased

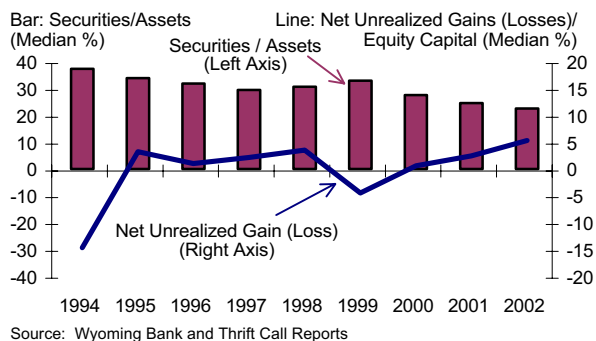
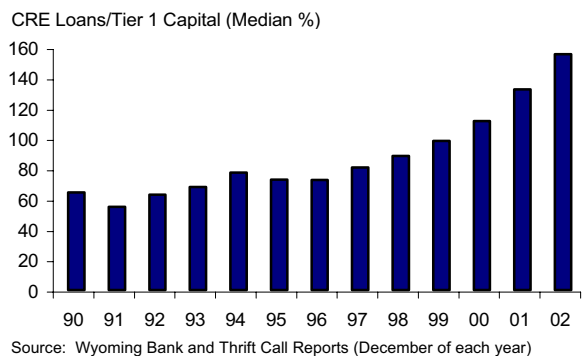


Chart 3: Wyoming-Based Insured Institutions Report Increased CRE Loan Concentrations



doubled from 64 to 156 percent. The number of institutions reporting ratios over 300 percent of Tier 1 capital has increased more significantly; nearly a quarter of all Wyoming-based insured institutions reported these relatively high exposures as of December 31, 2002 (see Chart 3).

- Construction and development (C&D) loans contributed materially to the trend. The median C&D loan-to-Tier 1 capital ratio among insured institutions headquartered in Wyoming more than quadrupled from 4 to 24 percent during the past 10 years. As of year-end 2002, six institutions reported C&D loan-to-Tier 1 capital ratios greater than 100 percent.

Wyoming at a Glance

General Information	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Institutions (#)	50	49	50	54	56
Total Assets (in thousands)	7,434,680	7,383,371	7,876,055	7,857,489	10,509,713
New Institutions (# < 3 years)	1	1	1	2	2
New Institutions (# < 9 years)	4	3	3	3	2
Capital	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Tier 1 Leverage (median)	8.35	8.13	8.84	8.65	8.80
Asset Quality	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Past-Due and Nonaccrual (median %)	1.60%	1.79%	1.68%	1.62%	1.95%
Past-Due and Nonaccrual > = 5%	5	7	7	5	10
ALLL/Total Loans (median %)	1.28%	1.38%	1.34%	1.38%	1.41%
ALLL/Noncurrent Loans (median multiple)	2.29	2.39	2.57	2.41	2.13
Net Loan Losses/Loans (aggregate)	0.36%	0.75%	0.52%	0.16%	0.15%
Earnings	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Unprofitable Institutions (#)	1	2	2	2	2
Percent Unprofitable	2.00%	4.08%	4.00%	3.70%	3.57%
Return on Assets (median %)	1.48	1.33	1.33	1.32	1.38
25th Percentile	0.94	0.84	1.02	1.02	1.03
Net Interest Margin (median %)	4.54%	4.40%	4.67%	4.62%	4.81%
Yield on Earning Assets (median)	6.53%	7.66%	8.31%	7.86%	8.18%
Cost of Funding Earning Assets (median)	2.16%	3.35%	3.75%	3.32%	3.51%
Provisions to Avg. Assets (median)	0.13%	0.12%	0.11%	0.09%	0.11%
Noninterest Income to Avg. Assets (median)	0.54%	0.60%	0.62%	0.62%	0.62%
Overhead to Avg. Assets (median)	2.95%	2.89%	2.98%	2.89%	2.99%
Liquidity/Sensitivity	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Loans to Deposits (median %)	69.71%	69.31%	69.68%	63.10%	63.09%
Loans to Assets (median %)	61.17%	60.42%	60.58%	56.38%	56.05%
Brokered Deposits (# of Institutions)	6	3	4	4	6
Bro. Deps./Assets (median for above inst.)	2.39%	4.74%	1.57%	2.00%	3.16%
Noncore Funding to Assets (median)	15.74%	18.04%	18.09%	16.15%	15.50%
Core Funding to Assets (median)	73.11%	72.31%	71.81%	74.24%	73.73%
Bank Class	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
State Nonmember	9	9	10	11	11
National	21	20	20	21	21
State Member	17	16	16	18	20
S&L	1	1	1	1	1
Savings Bank	2	3	3	3	3
Mutually Insured	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	42	4,507,972	84.00%	60.63%	
Cheyenne WY	6	399,540	12.00%	5.37%	
Casper WY	2	2,527,168	4.00%	33.99%	